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27 February 1958

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CENTRAL INTELLIGENCE BULLETIN



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I. THE COMMUNIST BLOC

USSR hints it might modify its conditions to bring about summit conference.

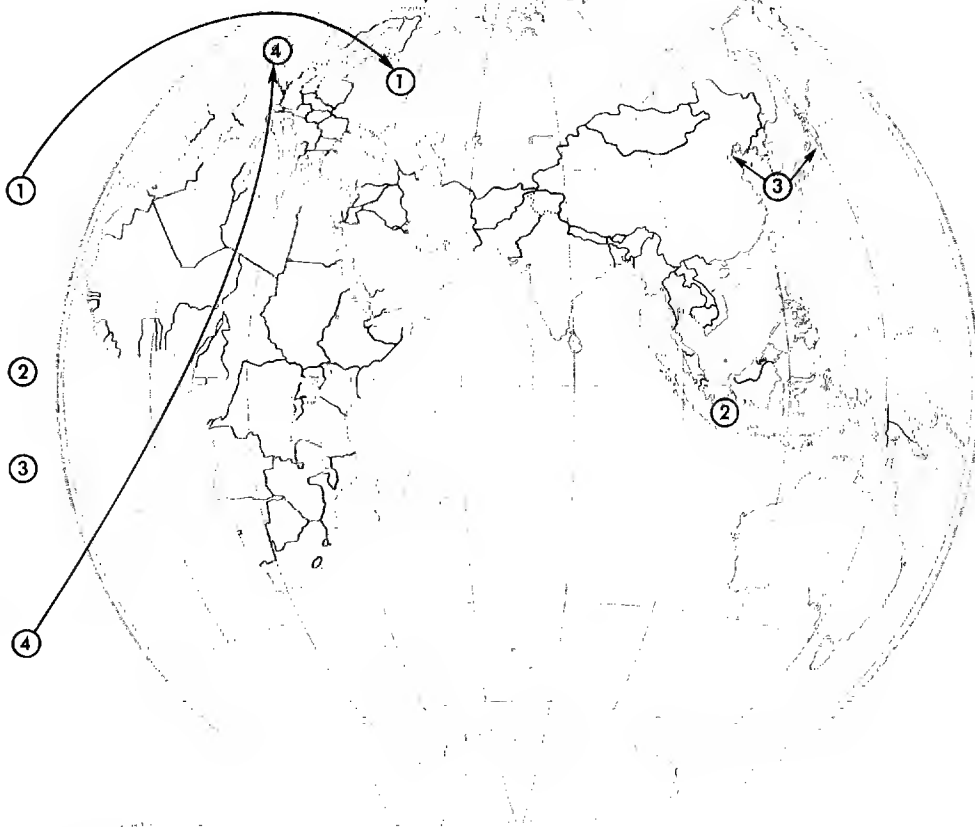
II. ASIA-AFRICA

Indonesia - Sukarno may blame dissidence on West in major speech next week.

Japan and Communist China sign agreement on substantial exchange of steel for iron ore and coal.

III. THE WEST

British Government prepares policy statement expected to call for disengagement in central Europe.



CENTRAL INTELLIGENCE BULLETIN

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DAILY BRIEF

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I. THE COMMUNIST BLOC

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Summit talks--Soviet view: In contacts with Western diplomats, Soviet Foreign Ministry officials are probing to determine what steps would be necessary to bring about a summit meeting. The French have been told Moscow is preparing a new series of letters, and that there would be no objections to a foreign ministers' meeting if there were prior agreement on a date for a summit conference. [REDACTED]
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II. ASIA-AFRICA

OK
Indonesia: President Sukarno is scheduled to deliver a major speech on 3 March in which he is expected to cast the current rebellion in terms of Western support for the dissidents and to demand an all-out campaign against the rebels. There are, on the other hand, rumors of growing underground resistance to Sukarno in Java. Djakarta, meanwhile, has denounced the 20 February seizure of an Indonesian-operated vessel by a Dutch warship as piracy intended to support the rebel cause. [REDACTED]
[REDACTED]

OK
Japanese - Chinese Communist trade: Communist China has agreed to export substantial quantities of coal and iron ore to Japan in exchange for steel products under a five-year barter contract with

private Japanese steel industry interests involving \$280,000,000 in trade each way. Japanese steel sales to Communist China have spurted since the relaxation of strategic trade controls in 1957, and substantial further expansion, to an extent threatening remaining COCOM controls, is possible.

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III. THE WEST

OK Britain: The government is preparing a policy statement dealing with the problem of "disengagement" in central Europe. Despite lack of support in the Foreign Office, the cabinet is anxious to show some initiative for domestic political reasons, and will probably call for Western endorsement of some compromise between the Rapacki plan and the 1955 Eden plan for reduction of forces and arms on either side of the East German - Polish border. German reunification will remain central to any British proposal.

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I. THE COMMUNIST BLOC

Soviet Views on Summit Conference

In recent conversations with French and American diplomats, Soviet Foreign Ministry officials have said that Moscow is preparing a new series of letters on a summit conference. In a slight modification of its previously adamant stand against a foreign ministers' meeting, the USSR told the French it would agree to a foreign ministers' meeting provided there was prior agreement on a date for a summit conference.

Foreign Minister Gromyko told the French that discussion of German unification would be pointless, and he said that the control of outer space could be discussed only in connection with nuclear disarmament. First Deputy Foreign Minister Kuznetsov told Ambassador Thompson that some topics could be settled quickly at a summit conference with little preparation--including a ban on testing nuclear weapons and the thinning out of troops in Germany.

Kuznetsov also asked Thompson what type of delegations President Eisenhower had in mind when he suggested exchanges with the USSR to improve the chances for East-West negotiations. As one possibility he mentioned an exchange of members of the Supreme Soviet and Congress.

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II. ASIA-AFRICA

Indonesian Situation

Indonesian President Sukarno is applying "harsh pressure" to make non-Communist elements in Java declare their support for the central government's campaign against the rebels, [REDACTED]

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[REDACTED] The recent declaration of the Nahdlatul Ulama, a Moslem party, urging suppression of the dissidents, allegedly resulted from Sukarno's threats to expose corruption in party leadership. Sukarno is said also to have threatened to jail supporters of Hatta if the former vice president does not denounce the rebels.

Sukarno is scheduled to make a major speech on 3 March in which he is expected to announce an all-out campaign against the rebels and their sympathizers. In an attempt to marshal mass support for his policy of firmness, Sukarno is likely to renew charges of Western involvement and to demand unity in the face of "imperialist attempts" to divide the country.

Strong action against recalcitrant non-Communist leaders in Java might force some of them underground to join Moslem dissidents (Darul Islam) now increasing their antigovernment terrorist activities in West and Central Java. The possibility of further antigovernment efforts is suggested by rumors of the defection of one battalion in West Java which is said to be under the influence of dissident Colonel Lubis. Lubis is alleged to have returned from Sumatra recently to foment anti-Djakarta military action. [REDACTED]

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Japanese Sign Major Steel Contract
With Communist China

An ambitious barter contract signed in Peiping on 26 February between Japanese steel industry representatives and Chinese Communist officials calls for the exchange of \$280,000,000 worth of Japanese steel products for an equivalent amount of Chinese iron ore and coal over a five-year period. Japanese response to possible political demands by Peiping in the future, plus the quality and price of Chinese raw materials, will determine whether this target will be achieved.

Preliminary announcements indicate that the steel products involved in the contract are no longer embargoed by COCOM and are already being exported in increasing amounts since the relaxation of controls last year. The long-term plan, however, may envisage ultimate inclusion of more highly strategic items. The first year's goal of \$28,000,000 each way appears within reach, inasmuch as the Japanese indicate they can supply 250,000 tons of steel products in 1958 and Peiping alleges that large amounts of raw materials are now available for export to Japan.

The barter contract is separate from Sino-Japanese talks, scheduled to begin in Peiping shortly for a general trade agreement and exchange of permanent trade missions. However, Japanese indications of readiness to comply with Peiping's terms for establishment of the trade missions may have substantially influenced China's willingness to conclude the barter deal. During negotiations over the past years Peiping, in an effort to extract major political and economic concessions, has refused to supply raw materials for Japanese heavy industry.

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III. THE WEST

London Preparing Disengagement Proposal

Beset by public pressure to show further initiative toward relaxing international tensions, the Macmillan government is preparing a policy statement on "disengagement" in central Europe. New British proposals will probably call for the West to offer some variation of the Rapacki plan, with German reunification included. There has been Foreign Office opposition to any such initiative, and an earlier interdepartmental study was generally negative.

A Foreign Office official expects that the substance of the new proposals will amount to a restatement of the Eden plan as presented to the 1955 foreign ministers' conference, calling for a reunited Germany and a zone on either side of the present East German - Polish border in which forces and armaments would be reduced and subject to mutual inspection.

Despite certain diplomatic and political advantages in adhering closely to the Eden proposals, the final policy review may bring Britain to advocate greater modification of established Western positions than the official's statement suggests. The Labor opposition, supported by considerable independent opinion, insists that Western counterproposals be made more attractive to Moscow.